



## Xcel Brands, Inc. Announces First Quarter 2020 Results

May 19, 2020

- **First Quarter Total Revenues of \$9.5 Million,**
- **GAAP Net Loss of \$0.8 million, Diluted EPS of (\$0.04) and**
- **non-GAAP Diluted EPS of \$0.00, Adjusted EBITDA of \$0.6 million**

NEW YORK, May 19, 2020 (GLOBE NEWSWIRE) -- Xcel Brands, Inc. (NASDAQ: XELB) ("Xcel" or the "Company"), a media and consumer products company, today announced its financial results for the first quarter ended March 31, 2020.

Robert W. D'Loren, Chairman and Chief Executive Officer of Xcel commented, "We are pleased with the growth in our wholesale and e-commerce channels. Although our bottom-line results are down from last year's first quarter, we are pleased with our results in light of the events associated with the COVID-19 pandemic. We remain vigilant over expense reductions and cash conservation so that we may emerge from this event stronger than when it started".

### First Quarter 2020 Financial Results

Total revenue decreased to \$9.5 million, a decrease of \$0.8 million, or 8% over the prior year quarter, primarily driven by lower licensing revenues partially offset by growth in our wholesale apparel business. Gross profit decreased by \$1.3 million to \$7.1 million from \$8.4 million in the prior year quarter.

GAAP net loss was approximately \$0.8 million, or (\$0.04), per diluted share, compared with a GAAP net income of \$0.1 million, or \$0.01 per diluted share, for the prior year quarter. After adjusting for certain cash and non-cash items, non-GAAP net income for the quarters ended March 31, 2020 and March 31, 2019, was approximately \$0.1 million, or \$0.00 per diluted share and approximately \$1.5 million, or \$0.08 per diluted share, respectively. Adjusted EBITDA was approximately \$0.6 million, compared to approximately \$2.0 million in the prior year quarter.

See reconciliation tables below for non-GAAP metrics. These non-GAAP metrics may be inconsistent with similar measures presented by other companies and should only be used in conjunction with our results reported according to U.S. generally accepted accounting principles. Any financial measure other than those prepared in accordance with GAAP should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

The Company's balance sheet at March 31, 2020 remained strong, with stockholders' equity of approximately \$98 million, cash and cash equivalents of approximately \$4.2 million, and working capital, exclusive of the current portion of lease obligations, of approximately \$7.8 million.

### Conference Call and Webcast

The Company will host a conference call with members of the executive management team to discuss these results with additional comments and details at 5:00 p.m. Eastern Time on Tuesday, May 19, 2020. A webcast of the conference call will be available live on the Investor Relations section of Xcel's website at [www.xcelbrands.com](http://www.xcelbrands.com). Interested parties unable to access the conference call via the webcast may dial 1-855-327-6837. A replay of the conference call will be available on the Company website for 30 days following the event and can be accessed at 844-512-2921 using replay pin number 10009675.

### About Xcel Brands

Xcel Brands, Inc. (NASDAQ:XELB) is a media and consumer products company engaged in the design, production, marketing, wholesale, and direct-to-consumer sales of branded apparel, footwear, accessories, jewelry, home goods and other consumer products, and the acquisition of dynamic consumer lifestyle brands. Xcel was founded by Robert W. D'Loren in 2011 with a vision to reimagine shopping, entertainment, and social as one. Xcel owns the Isaac Mizrahi, Judith Ripka, Halston, and C. Wonder brands, and it owns and manages the Longaberger brand through its controlling interest in Longaberger Licensing LLC, pioneering a ubiquitous sales strategy which includes the promotion and sale of products under its brands through interactive television, brick-and-mortar retail, e-commerce and peer to peer channels. Headquartered in New York City, Xcel Brands is led by an executive team with significant production, merchandising, design, marketing, retailing, and licensing experience, and a proven track record of success in elevating branded consumer products companies. With an experienced team of professionals focused on design, production, and digital marketing, Xcel maintains control of product quality and promotion across all of its product categories and distribution channels. Xcel differentiates by design. [www.xcelbrands.com](http://www.xcelbrands.com)

### Forward Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "ongoing," "could," "estimates," "expects," "intends," "may," "appears," "suggests," "future," "likely," "goal," "plans," "potential," "projects," "predicts," "seeks," "should," "would," "guidance," "confident" or "will" or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding our anticipated revenue, expenses, profitability, strategic plans and capital needs. These statements are based on information available to us on the date hereof and our current expectations, estimates and projections and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors, including, without limitation, the risks discussed in the "Risk Factors" section and elsewhere in the Company's Annual Report on form 10-K for the year ended December 31, 2019 and its other filings with the SEC, which may cause our or our industry's actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Moreover, we

operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. You should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

**For further information please contact:**

Andrew Berger  
SM Berger & Company, Inc.  
216-464-6400  
[andrew@smberger.com](mailto:andrew@smberger.com)

**Xcel Brands, Inc. and Subsidiaries**

**Unaudited Condensed Consolidated Balance Sheets**

(in thousands, except share and per share data)

	March 31, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,246	\$ 4,641
Accounts receivable, net	8,843	10,622
Inventory	788	899
Prepaid expenses and other current assets	1,433	1,404
Total current assets	15,310	17,566
Property and equipment, net	4,107	3,666
Operating lease right-of-use assets	8,913	9,250
Trademarks and other intangibles, net	109,955	111,095
Restricted cash	1,109	1,109
Other assets	490	505
Total non-current assets	124,574	125,625
<b>Total Assets</b>	<b>\$ 139,884</b>	<b>\$ 143,191</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable, accrued expenses and other current liabilities	\$ 3,747	\$ 4,391
Accrued payroll	365	1,444
Current portion of operating lease obligation	1,800	1,752
Current portion of long-term debt	3,375	2,250
Total current liabilities	9,287	9,837
<b>Long-Term Liabilities:</b>		
Long-term portion of operating lease obligation	9,297	9,773
Long-term debt, less current portion	15,471	16,571
Contingent obligation	900	900
Deferred tax liabilities, net	6,882	7,434
Other long-term liabilities	224	224
Total long-term liabilities	32,774	34,902
Total Liabilities	42,061	44,739
<b>Commitments and Contingencies</b>		
<b>Equity:</b>		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$.001 par value, 50,000,000 shares authorized at March 31, 2020 and December 31, 2019, respectively, and 19,047,561 and 18,866,417 issued and outstanding at March 31, 2020 and December 31, 2019, respectively	19	19
Paid-in capital	101,945	101,736
Accumulated deficit	(4,464	) (3,659
Total Xcel Brands, Inc. stockholders' equity	97,500	98,096
Noncontrolling interest	323	356
Total Equity	97,823	98,452
<b>Total Liabilities and Equity</b>	<b>\$ 139,884</b>	<b>\$ 143,191</b>

**Xcel Brands, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Operations**  
(in thousands, except share and per share data)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Revenues		
Net licensing revenue	\$ 5,641	\$ 7,863
Net sales	3,886	2,438
Net revenue	9,527	10,301
Cost of goods sold (sales)	2,400	1,832
Gross profit	7,127	8,469
Operating costs and expenses		
Salaries, benefits and employment taxes	3,948	4,145
Other design and marketing costs	992	758
Other selling, general and administrative expenses	1,737	1,590
Stock-based compensation	243	347
Depreciation and amortization	1,303	948
Total operating costs and expenses	8,223	7,788
Operating (loss) income	(1,096	) 681
Interest and finance expense		
Interest expense - term debt	288	264
Other interest and finance charges	6	26
Loss on extinguishment of debt	-	189
Total interest and finance expense	294	479
(Loss) income before income taxes	(1,390	) 202
Income tax (benefit) provision	(552	) 75
<b>Net (loss) income</b>	<b>(838</b>	<b>) 127</b>
Less: Net loss attributable to noncontrolling interest	(33	) -
<b>Net (loss) income attributable to Xcel Brands, Inc. stockholders</b>	<b>\$ (805</b>	<b>) \$ 127</b>
(Loss) earnings per share attributed to Xcel Brands, Inc. common stockholders:		
Basic net (loss) income per share:	\$ (0.04	) \$ 0.01
Diluted net (loss) income per share:	\$ (0.04	) \$ 0.01
Weighted average number of common shares outstanding:		
Basic weighted average common shares outstanding	18,870,398	18,562,073
Diluted weighted average common shares outstanding	18,870,398	18,562,763

**Xcel Brands, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in thousands)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (838	) \$ 127
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	1,303	948

Amortization of deferred finance costs	25	34	
Stock-based compensation	243	347	
Amortization of note discount	-	16	
Allowance for doubtful accounts	211	-	
Loss on extinguishment of debt	-	189	
Deferred income tax (benefit) provision	(552)	) 75	
Changes in operating assets and liabilities:			
Accounts receivable	1,568	1,035	
Inventory	111	571	
Prepaid expenses and other assets	(13	) (492	)
Accounts payable, accrued expenses and other current liabilities	(1,656	) (1,331	)
Cash paid in excess of rent expense	(91	) (91	)
Other liabilities	-	(196	)
<b>Net cash provided by operating activities</b>	<b>311</b>	<b>1,232</b>	
<b>Cash flows from investing activities</b>			
Cash consideration for asset acquisition of the Halston Heritage assets	-	(8,830	)
Purchase of property and equipment	(604	) (282	)
<b>Net cash used in investing activities</b>	<b>(604)</b>	<b>(9,112)</b>	
<b>Cash flows from financing activities</b>			
Shares repurchased including vested restricted stock in exchange for withholding taxes	(102	) -	
Payment of deferred finance costs	-	(286	)
Proceeds from long-term debt	-	7,500	
Payment of long-term debt	-	(1,742	)
<b>Net cash (used in) provided by financing activities</b>	<b>(102)</b>	<b>5,472</b>	
<b>Net decrease in cash, cash equivalents, and restricted cash</b>	<b>(395)</b>	<b>(2,408)</b>	
Cash, cash equivalents, and restricted cash at beginning of period	5,750	10,319	
Cash, cash equivalents, and restricted cash at end of period	\$ 5,355	\$ 7,911	
<b>Reconciliation to amounts on consolidated balance sheets:</b>			
Cash and cash equivalents	\$ 4,246	\$ 6,802	
Restricted cash	1,109	1,109	
Total cash, cash equivalents, and restricted cash	\$ 5,355	\$ 7,911	
<b>Supplemental disclosure of non-cash activities:</b>			
Operating lease right-of-use asset	\$ -	\$ 10,409	
Operating lease obligation	\$ -	\$ 13,210	
Accrued rent offset to operating lease right-of-use assets	\$ -	\$ 2,801	
Settlement of seller note through offset to receivable	\$ -	\$ 600	
Settlement of contingent obligation through offset to note receivable	\$ -	\$ 100	
Issuance of common stock in connection with Halston Heritage assets acquisition	\$ -	\$ 1,058	
Contingent obligation related to acquisition of Halston Heritage assets at fair value	\$ -	\$ 900	
Liability for equity-based bonuses	\$ (68	) \$ -	
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for income taxes	\$ 17	\$ 10	
Cash paid during the period for interest	\$ 290	\$ 458	

(\$ in thousands)	Three Months Ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Net (loss) income attributed to Xcel Brands, Inc. stockholders	\$ (805	) \$ 127
Amortization of trademarks	1,108	737
Stock-based compensation	243	347

Non-cash interest and finance expense	-	16
Loss on extinguishment of debt	-	189
Costs in connection with potential business combinations	80	-
Deferred income tax (benefit) provision	(552)	75
Non-GAAP net income	\$ 74	\$ 1,491

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Diluted (loss) earnings per share	\$ (0.04)	\$ 0.01
Amortization of trademarks	0.06	0.04
Stock-based compensation	0.01	0.02
Non-cash interest and finance expense	-	-
Loss on extinguishment of debt	-	0.01
Costs in connection with potential acquisition	-	-
Deferred income tax (benefit) provision	(0.03)	-
Non-GAAP diluted EPS	\$ -	\$ 0.08
Non-GAAP weighted average diluted shares	18,871,020	18,562,763

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net (loss) income attributed to Xcel Brands, Inc. stockholders	\$ (805)	\$ 127
Depreciation and amortization	1,303	948
Interest and finance expense	294	479
Income tax (benefit) provision	(552)	75
State and local franchise taxes	38	38
Stock-based compensation	243	347
Costs in connection with Potential business combinations	80	-
Adjusted EBITDA	\$ 601	\$ 2,014

Non-GAAP net income and non-GAAP diluted EPS are non-GAAP unaudited terms. We define non-GAAP net income as net income (loss), amortization of trademarks, stock-based compensation, non-cash interest and finance expense from discounted debt related to acquired assets, loss on extinguishment of debt, costs in connection with potential acquisitions, and deferred income taxes. Non-GAAP net income and non-GAAP diluted EPS measures do not include the tax effect of the aforementioned adjusting items, due to the nature of these items and the Company's tax strategy.

Adjusted EBITDA is a non-GAAP unaudited measure, which we define as net income (loss) before interest and finance expenses (including loss on extinguishment of debt, if any), income taxes, other state and local franchise taxes, depreciation and amortization, stock-based compensation and costs in connection with potential acquisitions.

Management uses non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA as measures of operating performance to assist in comparing performance from period to period on a consistent basis and to identify business trends relating to our results of operations. Management believes non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA are also useful because these measures adjust for certain costs and other events that management believes are not representative of our core business operating results, and thus these non-GAAP measures provide supplemental information to assist investors in evaluating our financial results. Non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA should not be considered in isolation or as alternatives to net income, earnings per share, or any other measure of financial performance calculated and presented in accordance with GAAP. Given that non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA are financial measures not deemed to be in accordance with GAAP and are susceptible to varying calculations, our non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, including companies in our industry, because other companies may calculate these measures in a different manner than we do. In evaluating non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA, you should be aware that in the future we may or may not incur expenses similar to some of the adjustments in this document. Our presentation of non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA does not imply that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider non-GAAP net income, non-GAAP diluted EPS, and Adjusted EBITDA alongside other financial performance measures, including our net income and other GAAP results, and not rely on any single financial measure.

